



Registrar

National Electric Power Regulatory Authority Islamic Republic of Pakistan

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No. NEPRA/ADG(Tariff)/TRF-362/K-Electric-2016/ 16513-17

November 04, 2024

Chief Executive Officer,
K-Electric Limited (KEL),
KE House, Punjab Chowrangi,
39 – B, Sunset Boulevard, Phase-II
Defence Housing Authority,
Karachi.

Subject: Decision of the Authority in the matter of Provisional Monthly Fuel Charges Adjustments requested by K-Electric Limited for August 2024

Enclosed please find herewith a copy of the Decision of the Authority in the matter of fuel charges adjustment for the month of August 2024 (total 07 pages) in respect of K-Electric Limited and Notification (S.R.O. 1737(I)/2024 dated 04.11.2024) thereof. This is for information and further necessary action.

2. While effecting the Fuel Adjustment Charges, K-Electric Ltd. shall keep in view and strictly comply with the orders of the court(s), if any, notwithstanding this order.

Enclosure: [Decision along with Notification is
also available on NEPRA's website]


(Wasim Anwar Bhinder)

Copy to:

1. Secretary, Ministry of Energy, Power Division, 'A' Block, Pak Secretariat, Islamabad
2. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad
3. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad
4. Secretary, Privatization Commission, 4th Floor, Kohsar Block, Constitution Avenue, New Secretariat, Islamabad

**DECISION OF THE AUTHORITY IN THE MATTER OF PROVISIONAL MONTHLY FUEL CHARGES
ADJUSTMENTS REQUESTED BY K-ELECTRIC LIMITED FOR AUGUST 2024.**

1. The Authority determined a Multi-Year Tariff ("MYT") for K-Electric Limited (herein referred to as "K-Electric" or "KE") for a period of seven (07) years, from July 2016 to June 2023, which expired on June 30, 2023. The MYT provided a mechanism wherein the Authority has to review and revise the approved tariff through monthly, quarterly and annual adjustments. As per the mechanism, impact of change in KE's own generation fuel cost component due to variation in fuel prices, generation mix & volume shall be passed on to the consumers directly in their monthly bills in the form of Fuel Charges Adjustment (FCA). Similarly, impact of change in the fuel component of Power Purchase Price (PPP) due to variation in fuel prices & energy mix shall also be passed on to consumers through monthly FCA.
2. Pursuant to the expiry of its MYT, K-Electric filed petitions for determination of a new MYT for the period from July 2023 to June 2030 for its Generation, Transmission, Distribution and Supply business separately. The Authority while admitting these petitions, granted K-Electric an interim tariff. The interim tariff was determined on the basis of allowed quarterly adjustments for the quarter ending in March 2023 and the same is subject to adjustment once the final MYT of KE for the control period FY 2024-30 is determined.
3. In view thereof, K-Electric filed its provisional monthly FCA request for the month of August 2024 vide its letter dated 16.09.2024. Summary of KE's FCA request for August 2024 is tabulated as hereunder,

Month	Variation	
	Mln Rs.	Rs. /kWh
August 2024	853	0.51

4. K-Electric in its instant request submitted that:
 - ✓ provisional FCA request for August 2024 is with regard to NEPRA's decisions regarding provisional FCAs for the period from July 2023 to June 2024, whereby provisional FCAs have been allowed based on parameters defined in MYT 2017-2023.
 - ✓ provisional FCAs are subject to adjustment once MYT 2024-2030 is determined.
 - ✓ provisional monthly FCA for August 2024 is being requested based on March 2023 as interim reference tariff.
 - ✓ for calculation of FCA of August 2024, CPPA-G's fuel cost for August 2024 is based on CPPA-G's requested FCC for August 2024 and is subject to actualization based on NEPRA's decision.
 - ✓ it dispatches as per Economic Merit Order from its own generating units (with the available resources) and import from external resources.
 - ✓ it is certified that cost of fuel and power purchase claim does not include any amount of late payment surcharge/markup/interest.

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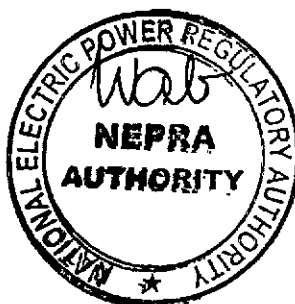
5. In order to arrive at an informed decision, the Authority decided to conduct a public hearing in the matter. An advertisement in this regard was published in newspapers on 21.09.2024, and also uploaded on NEPRA website, whereby hearing was scheduled on 03.10.2024. Further, individual notices were also served to the stakeholders for participation in the hearing. The following issues were framed for the hearing;
 - i. Whether the requested Fuel Price variation is justified?
 - ii. Whether KE has followed the merit order while giving dispatch to its power plants as well as power purchases from external sources?
6. The hearing was held as per the schedule on 03.10.2024 at NEPRA Tower and through ZOOM. The hearing was attended by CFO K-Electric with his financial and technical team, KE consumers, media representatives, other stakeholders and general public.
7. During the hearing commentators made various submissions on the request of KE. A summary of comments by the commentators and response of KE thereof is as follows:
 - ✓ Mr. Imran Shahid and Mr. Ahmed Azeem submitted that despite privatization 19 years ago, KE is not self-sufficient in generation and is still generating from BQPS-I thereby resulting in higher FCAs. Mr. Imran Shahid and Mr. Tanveer Barry further submitted that KE should be provided more energy from NTDC.
 - ✓ Mr. Imran Shahid also mentioned that load shedding has increased despite improved weather conditions. KE is continuing load shed after 12 AM as well.
 - ✓ In response, KE stated that cost of electricity in KE's own generation is costlier as it does not have nuclear or hydro power plants and an in-sufficient supply of indigenous gas for its generation fleet. KE also submitted that to reduce its generation cost, KE has issued 640 MW of Renewable RFPs out of which Competitive Bidding Process for 150MW Winder Bela Solar Projects and 220 MW Site Neutral Hybrid (Wind & Solar) Project have been concluded and the Bid evaluation reports have been submitted to NEPRA while competitive bidding process for remaining project(s) is in process. In addition to the aforementioned, interconnection of 500 kV KKI grid and 220 kV Dhabeji grid with National Grid is in finalization stages and expected to be commissioned within this year. Additionally, KE plans to off take power from Jamshoro Coal Power project after its conversion to Local Coal.
 - ✓ KE on the issue of load shedding submitted that the load shed schedule is communicated to NEPRA on daily basis and is also updated on KE's website. Load shed is being carried out till 2 AM on specific feeders as per load shed policy.
 - ✓ Mr. Imran Shahid and Mr. Tanveer Barry also highlighted that KE is continuing AT&C based Load Shed and not PMT based Load Shedding.



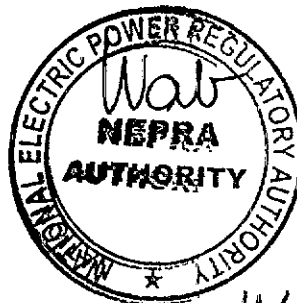
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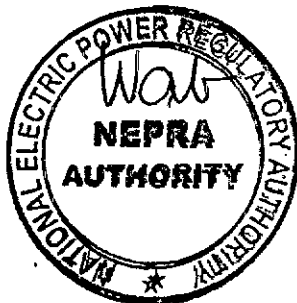
- ✓ KE submitted that it has conducted a pilot run to assess the feasibility of PMT based Load Shed and is currently analyzing the results from different areas to address these issues / challenges faced during aforementioned test-run.
- ✓ Mr. Tanveer Barry further submitted that FCA for August 2024 is positive for KE whereas it is negative for XW-DISCOs.
- ✓ KE responded that since KE's MYT Petition is under-determination hence reference of March 2023 has been used for the calculation of FCA for the month of August 2024 as an interim arrangement whereas for XWDISCOs, updated reference of FY 2025 reference was used. Further, due to insufficient local gas supply, RLNG and Furnace Oil have been used to meet the electricity demand. If local gas had been available as committed, KE's fuel cost would have been significantly lower.
- ✓ Mr. Aneel Mumtaz objected that the petition is time barred as KE should have submitted the same within 7 days.
- ✓ Regarding timelines, KE clarified that above timeline is directory and not mandatory as per judgement of Supreme Court of Pakistan dated May 02, 2018. Furthermore, the FCAs are normally filed in the second week of the month. As power purchase from CPPA-G has a significant impact in KE's sent out hence KE usually waits for the FCA request of XW-DISCOs so that it can get the provisional / requested rate of cost of fuel purchased from CPPA-G.
- ✓ Mr. Aneel Mumtaz inquired regarding the minimum load of KE at consumer end during August 2024, to which KE responded that minimum demand was 1,900 MW in normal days while it was 1,500 MW on 31st Aug. 2024 during rain.
- ✓ Mr. Aneel Mumtaz also inquired regarding the outstanding dues of SSGC not being paid by KE. Mr. Ahmed Azeem, another commentator, also inquired regarding the update on GSA between KE and SSGC.
- ✓ KE, on the issue submitted, that outstanding amounts by SSGC represents principal dues of more than 10 years old and markup amount which is disputed by KE as the delay in payments in past is due to delay in receipt from government entities and on net-principal basis, KE was in a receivable position. This dispute is currently under consideration in mediation as per the Mediation Agreement between KE and Government parties including SSGC to resolve this dispute. However, current gas bills are being paid to SSGC. Further, the GSA between KE and SSGC is under process and despite KE's repeated requests, the GSA remains unexecuted due to the fact that SSGC is not willing to confirm quantity.
- ✓ Mr. Aneel Mumtaz requested clarification on difference in meter displays in some snapshots of FCA petition, to which KE explained that when display on meter shows "L" without "123," this shows that respective equipment is in off condition and in standby mode.



- ✓ Mr. Aneel Mumtaz also questioned that KE's sent outs are 1,680 GWh which translates into 2,258 MW of capacity but KE has claimed to reach a capacity of 3,300 MW.
- ✓ KE submitted that 3,300 MW is the peak demand for August 2024 whereas total sent outs of KE during the month are 2,258 MW.
- ✓ Mr. Aneel Mumtaz also inquired regarding the different Fuel Oil Consumption i.e. 0.330 kg/kWh for August 2024, 0.275 kg/kWh for July 2024 and 0.284 kg/kWh in June 2024 for unit-I of BQPS-I and a similar variation in other units of BQPS-I.
- ✓ KE on the query raised by Mr. Aneel explained that specific fuel consumption differs month on month depending on actual efficiency of the plant which may vary subject to part load operations as per EMO, ambient conditions, and startups. The fuel cost claimed by KE is based on NEPRA allowed Heat Rates hence any variation in specific fuel cost consumption is not passed to the consumers. Further, the performance test of KE's plants has been conducted by Independent Consultants under the observation of NEPRA team.
- ✓ Mr. Tanveer Barry highlighted that NEPRA, in its annual report has mentioned that some of KE's power plant are efficient while others are inefficient. KE explained that efficiency of recently installed plants cannot be compared with efficiencies of plants installed earlier. Highest efficient plants installed recently may fall behind in efficiency compared to new technology after five years. The plants are operated only whenever need arises as per the Economic Merit Order (EMO) wherein KE generates electricity on low fuel cost plants (with the available fuel resources) before going onto expensive fuel sources.
- ✓ Mr. Tanveer Bari also inquired regarding high tariff of KE of around Rs.44/kWh as compared to XW-DISCOs based tariff of Rs.34/kWh and low fuel cost of CPPA-G as compared to KE. While responding to the query, KE submitted that the cost of electricity in KE system when compared with CPPA-G is higher because unlike CPPA-G, KE does not have availability of Nuclear or Hydro based power plants in its fleet, nor does KE is provided sufficient supply of indigenous / Low Btu gas to operate its own plants. However, it is worth mentioning here that had indigenous gas was provided to KE as committed, KE's fuel cost would have been significantly lower.
- ✓ Mr. Arif Bilvani and Mr. Ahmed Azeem inquired regarding operations of BQPS-I despite being an old plant with low efficiency resulting in higher fuel costs. It was also submitted that KE's other plants like Korangi Combined Cycle, SGTPS and KGTPS are also older plants, except BQPS II and III. Efficiency of BQPS III is 52% whereas for KCCP it is 32%, however, both are operated on RLNG and cost of RLNG on BQPS III is 22/unit but on KCCP it is 38/kWh.
- ✓ In response, KE submitted that efficiency of plants recently installed cannot be compared with efficiency of power plants installed earlier as technology changes after every 7-10 years, and even today's highest efficient plants may fall behind in efficiency compared to new technology after five years. KE further added that, power plants of its own fleet have



- an age of around 30 years and are operated according to their life and operational requirements. These plants are operated on requirement as per the Economic Merit Order (EMO).
- ✓ Mr. Arif Bilvani and Mr. Ahmed Azeem also commented that the cost of external purchases is around PKR 9 Rs./kWh whereas KE own generation cost is 24 Rs./kWh.
 - ✓ KE submitted that cost of electricity is dependent on the fuel being used. Since, local gas is being diverted to captive power projects and KE has to use RLNG and Furnace Oil which are expensive than local gas, hence KE's cost of fuel is higher. KE's fuel cost would have been significantly lower if local gas is provided to KE as committed.
 - ✓ Mr. Arif Bilvani inquired regarding completion of KE's KKI grid and its limitation to 2,050 MW out of which only 1,000 MW will be definite and remaining on proportionate basis.
 - ✓ In response, KE submitted that agreements were signed in January 2024 to take excessive supply from the national grid. According to which, 1,000 MW is on firm commitment whereas the remaining will be on pro-rata basis. Further, 500 kV KKI grid and 220 kV Dhabeji grid to enhance Interconnection Capacity with National Grid is in finalization stages and expected to be commissioned within this year.
 - ✓ Mr. Rehan Javed submitted that KE's MYT is delayed, it should be finalized as soon as possible so that the reference costs are being updated in a timely manner. Mr. Rehan Javed also submitted that providing local gas to KE reduces the subsidy significantly as subsidy of around Rs. 80 billion is being saved on provision of 100 MMCFD of local gas.
 - ✓ KE submitted that local gas is being diverted to captive power plants which is against the gas allocation policy because of which KE operates on RLNG and Furnace Oil to meet the electricity demand. If local gas is provided to KE, the FCAs would have been significantly lower.
 - ✓ Mr. Rehan Javed also inquired regarding difference between FCAs of KE and XWDISCO consumers, despite application of uniform tariff in terms of fixed charges, uniform quarterly adjustments and variable charges. KE in response submitted that uniform FCA is the prerogative of Government of Pakistan and NEPRA.
 - ✓ Mr. Ahmed Azeem also inquired that FCA is being charged on all imports from the national grid which also contains sources from renewables including hydro and solar.
 - ✓ KE submitted that as per the defined FCA mechanism, the imports/generation from national grid including renewables are included in KE's total sentouts and there is no fuel cost incurred against units generated from renewable sources. Hence, the benefit of these units (hydro and solar) imported from the national grid is passed on to consumers.
8. Regarding the data / information provided by K-Electric for the energy purchased from external sources for August 2024, the Authority noted that for energy purchased from CPPA-G in August



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2024, K-Electric has used fuel cost component of Rs. 8.8122 /kWh. The Authority approved fuel cost component for power purchased by KE from CPPA-G during August 2024 as Rs. 8.5754/kWh, accordingly the said rate has been used while working out the FCA of KE for August 2024. This has resulted in a negative adjustment of Rs. 178.899 million.

9. The Authority also noted a minor variation in Rs./mmbtu cost of HSD claimed by KE which has accordingly been corrected.
10. In view of the aforementioned discussion, the Authority has decided to allow a positive FCA of Rs 0.4013/kWh for the month of August 2024, to be passed on to consumers in their monthly bills of January 2025 as under;

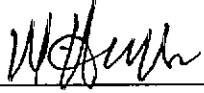
Generation	Unit	Mar. 23 (Reference)	Aug-24
Cost of KE's Own Plants	Mln Rs	13,748	19,460
Cost of Power Purchases	Mln Rs	10,135	8,085
Total Fuel Cost		23,638	27,545
KE's own Sent outs	GWh	520	806
External Purchases	GWh	958	874
Total Purchases		1,478	1,680
Fuel Cost Component			
Own Generation	Rs./kWh	9.30	11.58
External Purchases	Rs./kWh	6.86	4.81
Deviation from EMO	Rs./kWh	(0.00)	-
Previous Adjustment	Rs./kWh	(0.16)	-
Fuel Cost Component	Rs./kWh	15.99	16.40
FCA	Rs./kWh		0.4013
Variation in Fuel Cost	Mln Rs		674

11. The aforementioned FCA is being allowed on provisional basis subject to adjustment, once the Authority approves new MYT of KE for the period FY 2024-30. The difference in cost, if any based on the new approved MYT FY 2024-30 would be allowed in future adjustments, once the new MYT is notified.
12. In the light of above, the Authority hereby directs K-Electric that the aforementioned positive adjustment;
- Shall be applicable to all the consumer categories except Electric Vehicle Charging Stations (EVCS), lifeline consumers and Prepaid metering consumers.
 - Shall be shown separately in the consumers' bills on the basis of units billed to the consumers, in the respective month to which the adjustment pertains.
 - K-Electric shall reflect the fuel charges adjustment in respect of August 2024 in the billing month of January 2025.

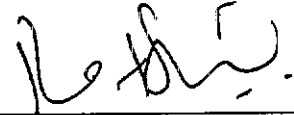


- d) While effecting the Fuel Adjustment Charges, K-Electric shall keep in view and strictly comply with the orders of the courts notwithstanding this order.

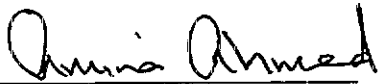
AUTHORITY



Engr. Maqsood Anwar Khan
Member



Rafique Ahmed Shaikh
Member



Amina Ahmed
Member



Waseem Mukhtar
Chairman



National Electric Power Regulatory Authority



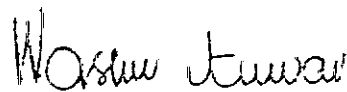
NOTIFICATION

Islamabad, the 4th day of November, 2024

S.R.O. 1737 (I)/2024.- Pursuant to Section 31(7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 as amended from time to time and as per the mechanism for monthly, quarterly and annual adjustments provided in the Tariff Determination of K-Electric Limited dated July 05, 2018 duly notified in the official Gazette vide SRO No. 576(I)/2019 dated May 22, 2019, National Electric Power Regulatory Authority (NEPRA) makes and notifies the following adjustment in the approved tariff on account of variation in fuel charges for the month of August 2024 in respect of K-Electric Limited:

FCA to be calculated on the basis of billing for the Month of	Rs./kWh	To be Charged in the Billing Month of
August 2024	0.4013	January 2025

2. The Positive FCA for the month of August 2024:
- Shall be applicable to all the consumer categories except Electric Vehicle Charging Stations (EVCS), lifeline consumers and Prepaid metering consumers.
 - Shall be shown separately in the consumers' bills on the basis of units billed to the consumers in the respective month to which the adjustment pertains.
 - K-Electric shall reflect the fuel charges adjustment in respect of August 2024 in the billing month of January 2025.
 - While effecting the Fuel Adjustment Charges, K-Electric shall keep in view and strictly comply with the orders of the courts notwithstanding this order.


(Wasim Anwar Bhinder)
Registrar